



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Federal Cash Management Improvement
Act Program
Department of Treasury

Report Number:
27-605-05

Released:
June 2005

The federal Cash Management Improvement Act (CMIA) of 1990, as amended, and the associated federal regulations are designed to ensure fairness between the federal and state governments with regard to the use of federal and state funds for federally mandated programs. The U.S. and Michigan Departments of Treasury have entered into an agreement that identifies the major federal programs and their applicable funding techniques and provides for State and federal interest liabilities if the programs do not follow the funding techniques.

Audit Objective:

To assess the effectiveness of the Department's efforts to ensure that all applicable federal programs were included in the CMIA agreement.

Audit Conclusion:

We concluded that the Department was effective in ensuring that all applicable federal programs were included in the CMIA agreement. Our report does not include any reportable conditions related to this audit objective.

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Audit Objective:

To assess the effectiveness of the Department's procedures for developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury.

Audit Conclusion:

We concluded that the Department's procedures for developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury were effective. Our report does not include any reportable conditions related to this audit objective.

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 7, 2005

Mr. Jay B. Rising
State Treasurer
Treasury Building
Lansing, Michigan

Dear Mr. Rising:

This is our report on the performance audit of the Federal Cash Management Improvement Act Program, Department of Treasury.

This report contains our report summary; description of program; audit objectives, scope, and methodology; comments; and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Program

The federal Cash Management Improvement Act (CMIA) of 1990, as amended, and the associated federal regulations are designed to ensure fairness between the federal and state governments with regard to the use of federal and state funds for federally mandated programs.

CMIA and associated regulations require agreements between the states and the Secretary of the Treasury, U.S. Department of Treasury. The Michigan Department of Treasury, as State coordinator, has entered into an annual agreement on behalf of the State of Michigan with the U.S. Department of Treasury. This agreement identifies the major federal programs and their applicable funding techniques and provides for State and federal interest liabilities if the programs do not follow the funding techniques.

The Department of Treasury and other State departments share the responsibility for complying with the CMIA agreement. The Department of Treasury's responsibilities include ensuring that all applicable federal programs are included in the agreement, developing procedures for and calculating check clearance patterns* for State disbursements, performing interest calculations, submitting claims for reimbursement of direct costs for implementing CMIA, and submitting an annual report to the U.S. Department of Treasury.

** See glossary at end of report for definition.*

Audit Objectives, Scope, and Methodology

Audit Objectives

Our performance audit* of the Federal Cash Management Improvement Act (CMIA) Program, Department of Treasury, had the following objectives:

1. To assess the effectiveness* of the Department's efforts to ensure that all applicable federal programs were included in the CMIA agreement.
2. To assess the effectiveness of the Department's procedures for developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury.

Audit Scope

Our audit scope was to examine the program and other records of the Federal Cash Management Improvement Act Program. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The cash management practices used by the individual State departments are examined during our separate financial audits, including the provisions of the Single Audit Act, of those departments.

Audit Methodology

Our audit procedures, conducted primarily during February and March 2005, included examination of agency procedures and records for the period October 1, 2003 through September 30, 2004.

To assess the effectiveness of the Department's efforts to ensure that all applicable federal programs were included in the CMIA agreement, we analyzed the procedures and documentation used to develop the CMIA agreement covering fiscal year 2003-04.

* See glossary at end of report for definition.

To assess the effectiveness of the Department's procedures for developing check clearance patterns, we analyzed the procedures and documentation used to develop clearance patterns for programs identified in the CMIA agreement.

To assess the effectiveness of the Department's procedures for performing interest calculations, we verified its calculation of interest owed to or due from the federal government for fiscal year 2003-04 based on financial data submitted to the Department by other State departments.

To assess the effectiveness of the Department's procedures for submitting an annual report to the U.S. Department of Treasury, we examined the annual report, procedures for submission, and documentation supporting the annual report submitted for fiscal year 2003-04.

COMMENTS

EFFECTIVENESS OF THE DEPARTMENT'S EFFORTS

COMMENT

Audit Objective: To assess the effectiveness of the Department of Treasury's efforts to ensure that all applicable federal programs were included in the Cash Management Improvement Act (CMIA) agreement.

Conclusion: We concluded that the Department was effective in ensuring that all applicable federal programs were included in the CMIA agreement. Our report does not include any reportable conditions* related to this audit objective.

EFFECTIVENESS OF THE DEPARTMENT'S PROCEDURES

COMMENT

Audit Objective: To assess the effectiveness of the Department's procedures for developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury.

Conclusion: We concluded that the Department's procedures for developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury were effective. Our report does not include any reportable conditions related to this audit objective.

** See glossary at end of report for definition.*

GLOSSARY

Glossary of Acronyms and Terms

clearance pattern	A projection showing the daily amount subtracted from a State bank account each day after the State makes a disbursement. Clearance patterns are used to schedule the transfer of funds with various funding techniques and to support interest calculations.
CMIA	Cash Management Improvement Act.
effectiveness	Program success in achieving mission and goals.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

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